LEKWA TEEMANE DEVELOPMENT AGENCY (PROPRIETARY) LIMITED
Financial statements
for the year ended 30 June 2017

Index

The reports and statements set out below comprise the financial statements presented to the Board of Lekwa Teemane Development Agency:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
IDC	Industrial Development Corporation
GRAP	Generally Recognised Accounting Practices
IAS	International Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the agency as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the agency and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the agency and all employees are required to maintain the highest ethical standards in ensuring the agency’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the agency is on identifying, assessing, managing and monitoring all known forms of risk across the agency. While operating risk cannot be fully eliminated, the agency endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the agency’s cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the agency has or has access to adequate resources to continue in operational existence for the foreseeable future.

The agency is wholly dependent on the Lekwa Teemane Local Municipality and IDC for continued funding of operations. The financial statements are prepared on the basis that the agency is a going concern and that the Lekwa Teemane Local Municipality and the IDC has neither the intention nor the need to liquidate or curtail materially the scale of the agency.

The external auditor is responsible for independently reviewing and reporting on the agency's financial statements. The financial statements have been examined by the agency's external auditor and their report is presented on page 4.

The financial statements set out on page 4 to 39, which have been prepared on the going concern basis,were sent t to the board on 30 August 2017 and were signed on its behalf by the Accounting Officer:

Miss Marian Chitima
Acting Programme Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The Audit Committee consists of the members listed hereunder and held the following meetings:

Name of member	Number of meetings attended
Mr Riaan van der Merwe (Chairperson)	Two (08/08/2016; 30/05/2017)
Ms Mpai Polori (Acting CFO)	None
Mr Fabian Maseng	Three (08/08/2016; 08/02/2017; 30/05/2017)
Mr. Stephen Nel	Three (08/08/2016; 08/02/2017; 30/05/2017

Chairperson of the Audit Committee

Date:

Chairman's Report

The accounting officers submit their report for the year ended 30 June 2017.

1. Incorporation

The entity was incorporated on the 16th of March 2010 and obtained its certificate to commence business on the same day. The Agency's Vision is "To be the facilitator of choice in economic development" and the Mission Statement is to "To stimulate economic growth and development through the pursuit of sustainable projects, facilitation of skills development and attraction and retention of investments in order to realise:

- Community and social development
- Job creation
- SMME support
- Sustainable communities

2. Review of activities

Main business and operations

The principal objectives of the Agency are as:

- To attract strategic and high impact investments into Lekwa Teemane Local Municipality;
- To implement the municipality's catalytic economic development projects include in the District Growth and Development Strategy and the Intergrated Development Plan (IDP) and/or any other strategic development plans of Lekwa Teemane Local Municipality;
- To implement by agreement with the parent municipality, any cataltic economic development projects, found in the IDP and Local Economic Development (LED) Strategy of the municipality;
- To implement any other economic development projects as and when requested to do so by the parent municipality;
- To market and promote the Local Municipality as a preffered investment destination and;
- To stimulate economic growth and job creation within the Local Municipality.

The realisation of these objectives should be geared towards adressing the socio-economic challenges faced by the municipal community.

3. Operational Phase 2(b)

This phase commenced in January 2017 part of the milestones were completed during the 2016/17 financial period. The main milestones of this phase were to:

- Implement the packaging, brickmaking and poultry projects. This has since been done on private land for two of these projects excluding packaging.
- Conclude legal agreements
- Set up the operational performance systems.
- Ensure that all relevant legislation requirements are met
- Prepare the plan for the next Phase, which is the Operational Phase 3) (the phase were projects are fully self sustainable).

Whilst a number of milestones have been achieved progress has been made but is relatively slow. The main challenges are highlighted in Section 4.

4. Main Challenges faced by the Agency

It is regrettable that some issues raised in the previous year remain unresolved and I cannot overstate the importance of a full board,if the oversight function is to be played diligently. As such most of the major and core activities could not be undertaken as shown in the Statement of Financial Performance and Position. The following are the main challenges:

- **Delay of council resolutions:** The agency completed all the studies for most of the projects and sourced investors, but has been awaiting council appproval for the land ear-marked for the developments.
- **Expired term of Board of Directors**: The term of the current board expired in October 2013.The council is still to appoint a new board. In the interim the current board is on a month to month contract untill council appoints.
- **Postponement of the Strategic Planning Session**:The session was postponed by the mayoral authority for another date which we still await to be informed of.

5. Future Projects and Funding

The Operational Phase 2(b) seeks to see the implementation of the Bloemhof Mall Development, Industrial Park with a packaging facility, Christiana Transit Node and the developments around the Bloemhof Dam come to fruition.

Chairman's Report

6. Share capital

There were no changes in the authorised or issued share capital of the agency during the year under review.

7. Directors' Interests in Contracts

All of the directors had no interests in any contracts entered into during the year under review.

8. Corporate Governance Report/Structure

The Board of Directors consists of four members, namely:
- Mr K. Sekhobo -(Board Chairman)
- Mr. T. T. Makoko -(Non-Executive Director)
- Mr. F. Maseng - (Non -Executive Director)
- Mr. A. R. Laastele (Executive Director) outgoing

The board had to sever ties with the Executive Director Mr AR Laastele in the month of June 2016. The position is currently filled in an acting capacity. However, some of the committees Human Resources and Investment had to be suspended due to the lack of adequate numbers on the board.

The board has three main committees, whose task are to recommend to the Board issues bearing on their portfolios. The terms of references for all the committees are clearly outlined in the Operational Policy Framework of the Agency. It should, however, be noted that board has not yet established the Social and Ethics Committee as required by the Companies Act. This will be in place once the establishment phase is complete. Regarding the committees that are currently in place, following are the compositions:

Audit, Finance and Risk Committee
- Chaired by an Independent non-Board member
- CFO of parent municipality
- Board Member - Mr Maseng
- IDC Representative

Investments and Projects Committee
- Mr. Makoko - Chairman
- Ms Chitima
- One of the new members to be appointed will be seconded to this committee

Human Resources and Communications Committee
- Mr. Sekhobo - Chairperson
- Ms Chitima
- One of the new members to be appointed will be seconded to this committee

9. Distributions to owners

There were no dividends declared during the year or subsequent to year end.

10.

The board members of the agency during the year and to the date of this report are as follows:

Name	Nationality
Mr.Khotso Sekhobo (Chairman)	South African
Mr. Andrew Laastele	South African
Mr. Fabian Maseng	South African
Mr. Tshepo Makoko	South African
Miss Marian Chitima	Zimbabwean

11. Secretary

The agency had no secretary during the year.

Chairman's Report

12. Director and executive managers emoluments

Economic entity

	Board Attendance Fees	Travel	Cellphone Allowance	Remuneration Package	Other	Total package 2017	Total package 2016
Non-Executive Members							
Mr. K. Sekhobo (Chairman)	19,000	14,229	12,000	-	-	45,229	53,105
Mr. F. Maseng	21,900	-	-	-	-	21,900	26,166
Mr. T Makoko	15,000	-	-	-	6,000	21,000	21,600
Mr. R vd Merwe(Audit Chairperson)	9,500	-	-	-	-	9,500	9,000
	65,400	**14,229**	**12,000**	**-**	**6,000**	**97,629**	**109,871**
Executive Members							
Acting Programme Manager	-	17,698	-	403,585	-	421,283	702,153

13. Corporate governance

General

The directors are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the directors support the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa. The directors discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - an executive director.
- has established a Board directorship continuity programme.

Chairperson and chief executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Programme Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The remuneration of the Programme Manager who is the only executive director of the entity, was determined by the board.

Chairman's Report

Executive meetings

The directors have met on separate occasions during the financial year. The directors are scheduled to meet at least 4 times per annum.

Non-executive directors have access to all members of management of the entity.

Audit and risk committee

During the year, the agency had a functioning Audit Committee as detailed in the Audit Committee Report. The Committee was properly set up during the 2012/13 financial period. The members and operations are as dicussed in the Audit Committee Report, hereto attached. There was no Internal Audit function during the year under review, efforts to get the District Shared Service to be extended to the Agency have been futile.

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories		24,900	-
Other receivables	5	350,000	350,000
VAT receivable	6	74,036	101,266
Cash and cash equivalents	7	1,942,594	435,663
		2,391,530	**886,929**
Non-Current Assets			
Property, plant and equipment	3	86,978	58,817
Intangible assets	4	-	1,688
		86,978	**60,505**
Total Assets		**2,478,508**	**947,434**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	146,975	193,649
Unspent conditional grants and receipts	9	1,746,092	384,276
		1,893,067	**577,925**
Total Liabilities		**1,893,067**	**577,925**
Net Assets		**585,441**	**369,509**
Share capital	8	20,100	20,100
Accumulated surplus		565,337	349,408
Total Net Assets		**585,437**	**369,508**

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Interest received - investment		60,223	24,709
Government grants & subsidies	13	1,205,977	2,163,402
Other transfer revenue		607,978	504,392
Total revenue		**1,874,178**	**2,692,503**
Expenditure			
Employee related costs	15	(665,522)	(1,180,895)
Board of Directors related costs	16	(97,629)	(109,871)
Depreciation and amortisation	18	(37,387)	(47,966)
Lease rentals on operating lease		(46,791)	-
Repairs and maintenance		(2,597)	(219)
Sale of goods/Inventory		24,900	-
General Expenses	14	(782,433)	(836,433)
Total expenditure		**(1,607,459)**	**(2,175,384)**
Surplus for the year		**266,719**	**517,119**

Statement of Changes in Net Assets

Figures in Rand	Share capital	Share premium	Total share capital	Accumulated surplus	Total net assets
Balance at 01 July 2015	**100**	**20,000**	**20,100**	**(167,711)**	**(147,611)**
Changes in net assets					
Surplus for the year	-	-	-	517,119	517,119
Total changes	-	-	-	517,119	517,119
Restated* Balance at 01 July 2016	**100**	**20,000**	**20,100**	**298,618**	**318,718**
Changes in net assets					
Deficit for the year	-	-	-	266,719	266,719
Total changes	-	-	-	266,719	266,719
Balance at 30 June 2017	**100**	**20,000**	**20,100**	**565,337**	**585,437**
Note(s)	8	8	8		

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Interest income		60,223	24,709
Other receipts		2,547,679	2,547,679
		2,607,902	2,572,388
Payments			
Employee costs		(751,651)	(1,319,203)
Suppliers		(785,030)	(836,652)
Other cash item		550,357	18,918
		(986,324)	(2,136,937)
Net cash flows from operating activities	20	**1,621,578**	**435,451**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(175,358)	-
Purchase of other intangible assets	4	(16,622)	-
Net cash flows from investing activities		**(191,980)**	**-**
Net increase/(decrease) in cash and cash equivalents		**1,506,931**	**435,451**
Cash and cash equivalents at the beginning of the year		435,663	212
Cash and cash equivalents at the end of the year	7	**1,942,594**	**435,663**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - investment	893,269	-	**893,269**	60,223	**(833,046)**	Not enough revenue was raised as projects only kickstarted in the last month of the financial year.
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	6,000,000	-	**6,000,000**	1,205,977	**(4,794,023)**	The income recognised is a portion of the Operational Phase 2b grant disbursed in February 2017.
Municipal Contribution	607,978	-	**607,978**	607,978	**-**	
Total revenue from non-exchange transactions	**6,607,978**	**-**	**6,607,978**	**1,813,955**	**(4,794,023)**	
Total revenue	**7,501,247**	**-**	**7,501,247**	**1,874,178**	**(5,627,069)**	
Expenditure						
Personnel	(2,297,811)	-	**(2,297,811)**	(665,522)	**1,632,289**	The agency currently only has a staff complement of 2 and 1 assistant
Board of Directors Related fees	(227,880)	-	**(227,880)**	(97,629)	**130,251**	The current board only consists of 3 members instead of 6 2 subcommittees were discontinued.
Depreciation and amortisation	(100,228)	-	**(100,228)**	(37,387)	**62,841**	Only one asset was purchased and the computer software is fully depreciated.
Lease rentals on operating lease	(46,791)	-	**(46,791)**	(46,791)	**-**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Repairs and maintenance	(53,470)	-	**(53,470)**	(2,597)	**50,873**	Small repairs done on the operating machinery.
Sale of goods/Inventory	-	-	**-**	24,900	**24,900**	Cost of goods sold
General Expenses	2,726,180	-	**2,726,180**	(782,433)	**(3,508,613)**	Expenditure overall was kept at a minimum with priority being expenditure on actual projects.
Total expenditure	**-**	**-**	**-**	**(1,607,459)**	**(1,607,459)**	
Surplus before taxation	**7,501,247**	**-**	**7,501,247**	**266,719**	**(7,234,528)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**7,501,247**	**-**	**7,501,247**	**266,719**	**(7,234,528)**	

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables and/or loans and receivables

The agency assesses its trade receivables, loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Effective interest rate

The entity uses the prime interest rate to discount future cash flows, where applicable.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Accounting Policies

1.3 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Office equipment	Straight line	4 years
IT equipment	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Accounting Policies

1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Accounting Policies

1.4 Intangible assets (continued)

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.5 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the agency becomes a party to the contractual provisions of the instruments.

The agency classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Accounting Policies

1.5 Investments in associates (continued)

Impairment of financial assets

At each end of the reporting period the agency assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the agency, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Accounting Policies

1.5 Investments in associates (continued)

Impairment of financial assets

The agency assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The agency first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an agency after deducting all of its liabilities.

1.7 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the agency receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the agency has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the agency retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the agency; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.7 Revenue (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the agency;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the agency, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the agency's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.8 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.8 Revenue from non-exchange transactions (continued)

Grants

Grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the agency,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The agency assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Municipal Contribution

Municipal Contributions are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the agency
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.9 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.10 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.11 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.12 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000) or is in contravention of the agency's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is written off as irrecoverable.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.13 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the agency has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.14 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts and notes to the financial statements.

1.15 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Accounting Policies

1.15 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

All transactions with related parties are disclosed.

Notes to the Financial Statements

Figures in Rand	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Plant and machinery	59,211	(2,961)	56,250	-	-	-
Furniture and fixtures	105,240	(78,902)	26,338	105,240	(57,854)	47,386
Office equipment	10,907	(6,517)	4,390	6,258	(4,081)	2,177
IT equipment	59,441	(59,441)	-	59,441	(50,187)	9,254
Total	**234,799**	**(147,821)**	**86,978**	**170,939**	**(112,122)**	**58,817**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Plant and machinery	-	59,211	(2,961)	56,250
Furniture and fixtures	47,386	105,240	(126,288)	26,338
Office equipment	2,177	10,907	(8,694)	4,390
IT equipment	9,254	-	(9,254)	-
	58,817	**175,358**	**(147,197)**	**86,978**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Depreciation	Total
Furniture and fixtures	68,434	(21,048)	47,386
Office equipment	3,741	(1,564)	2,177
IT equipment	29,068	(19,814)	9,254
	101,243	**(42,426)**	**58,817**

4. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	16,622	(16,622)	-	16,622	(14,934)	1,688

Notes to the Financial Statements

Figures in Rand	2017	2016

4. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,688	16,622	(18,310)	-

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	7,229	(5,541)	1,688

5. Other receivables

	2017	2016
Government grants and subsidies	350,000	350,000

6. VAT receivable

	2017	2016
VAT	74,036	101,266

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Bank balances	3,393	1,412
Short-term deposits	1,939,093	434,143
Other cash and cash equivalents	108	108
	1,942,594	**435,663**

8. Share capital

	2017	2016
Authorised		
1 000 Ordinary shares of 1 000 each of par value of R1	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at 30 June	100	100

900 unissued ordinary shares are under the control of the directors in terms of the Memorandum and articles of Incorporation.

	2017	2016
Issued		
Ordinary	100	100
Share premium	20,000	20,000
	20,100	**20,100**

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Unspent conditional grants and receipts		
Unspent grants 1	1,746,092	384,276

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Figures in Rand	2017	2016

9. Unspent conditional grants and receipts (continued)

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

10. Payables from exchange transactions

	2017	2016
Trade payables	137,761	183,109
Accrued leave pay	9,214	10,540
	146,975	**193,649**

11. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	350,000	350,000
Cash and cash equivalents	1,746,092	1,746,092
	2,096,092	**2,096,092**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	146,975	146,975

2016

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	350,000	350,000
Cash and cash equivalents	384,276	384,276
	734,276	**734,276**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	222,088	222,088

12. Revenue

	2017	2016
Interest received - investment	60,223	24,709
Government grants & subsidies	1,205,977	2,163,402
Municipal Contribution	607,978	504,392
	1,874,178	**2,692,503**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2017	2016
Interest received - investment	60,223	24,709

Notes to the Financial Statements

Figures in Rand	2017	2016

12. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Grants and subsidies	1,205,977	2,163,402
Municipal Contribution	607,978	504,392
	1,813,955	**2,667,794**

Nature and type of services in-kind are as follows:

The agency was making use of office space, security and related activities made available by the municipality.

13. Grants and subsidies

Industrial Development Corporation (IDC)	1,205,977	2,163,402

Industrial Development Corporation (IDC)

Balance unspent at beginning of year	384,276	384,276
Current-year receipts	2,547,679	2,547,679
Conditions met - transferred to revenue	(1,185,863)	(2,547,679)
	1,746,092	**384,276**

Conditions still to be met - remain liabilities (see note 9).

This relates to the grant received from IDC for Operational Phase 2(b).

14. General expenses

Advertising	-	18,259
Auditors remuneration	66,020	239,369
Bank charges	6,465	2,707
Consulting and professional fees	-	750
Entertainment	3,358	8,896
Fines and penalties	5,565	19,746
Insurance	8,027	7,214
Community development and training	5,989	15,290
IT expenses	5,119	6,365
Office related costs	53,476	50,688
Marketing	6,180	-
Printing and stationery	3,429	2,592
Research and development costs	416,854	286,636
Security (Guarding of municipal property)	53,476	50,688
Subscriptions and membership fees	16,325	15,487
Telephone and fax	58,561	17,815
Travel and Subsistence	31,829	52,404
Municipal Assistance	40,107	38,016
Accommodation	1,653	3,511
	782,433	**836,433**

Notes to the Financial Statements

Figures in Rand	2017	2016

15. Employee related costs

Staff Salaries	522,190	530,144
Bonus	-	27,848
UIF	13,809	21,658
	535,999	**579,650**

Remuneration of Programme Manager

Annual Remuneration	129,523	628,760
Leave Accrual	-	(27,515)
	129,523	**601,245**

16. Board of Directors Related Costs

Meeting Allowances	71,400	82,600
Board Travel	14,229	15,271
Cellphone Allowances	12,000	12,000
	97,629	**109,871**

In-kind benefits

The Programme Manager is using a laptop provided by the municipality and has access to the municipality's internet network.

17. Investment revenue

Interest revenue		
Interest received - Bank	60,223	24,709

18. Depreciation and amortisation

Property, plant and equipment	37,387	47,966

19. Auditor's remuneration

Fees	66,020	239,369

20. Cash generated from operations

Surplus	266,719	517,119
Adjustments for:		
Depreciation and amortisation	37,387	47,966
Changes in working capital:		
Inventories	(24,900)	-
Other receivables from non-exchange transactions	-	2,224
Payables from exchange transactions	(46,674)	(495,028)
VAT	27,230	(21,106)
Unspent conditional grants and receipts	1,361,816	384,276
	1,621,578	**435,451**

Notes to the Financial Statements

Figures in Rand	2017	2016

21. Commitments

Authorised capital expenditure

Not yet contracted for and authorised by accounting officers		
• Furniture and Fittings	21,100	20,000
• Computer equipment	31,650	30,000
	52,750	**50,000**

Total capital commitments		
Not yet contracted for and authorised by accounting officers	52,750	50,000

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

22. Related parties

Relationships	
Shareholder with sole control	Lekwa Teemane Local Municipality

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
Lekwa Teemane Local Municipality	350,000	350,000

Related party transactions

Money and Inkind Contribution received from a related party		
Municipal Contributions	257,978	489,392
Office telephone	36,000	15,000

Amounts included in expenses		
Office related costs	53,475	50,688
Security	53,475	50,688

The municipality's contributions to the agency are in the form of money and in kind. This is in terms of the agreement with IDC where the municipality is also expected to contribute towards the agency's operations. The transactions were on an arms length basis.

23. Accounting Officers' emoluments

The following emoluments were paid to the accounting officers or any individuals holding a prescribed office during the year.

Executive

2017

	Remuneration	Travel Reimbursements	Total
Miss Marian Chitima	403,585	17,698	421,283

2016

	Remuneration	Travel (Reimbursement)	Cellphone Allowance	Compensation for loss of office	Total
Mr. Andrew Laastele	570,240	35,939	11,000	84,974	702,153

Service contracts

Ms M Chitima is subject to written employment agreement. The employment agreement regulate, inter alia, duties, remuneration, allowances and notice periods. None of these terms were breached.

Non-executive

2017

	Meetings (Attendance)	Cellphone Allowance	Travel Allowances	Base fees	Total
Mr.Khotso Sekhobo (Chairman)	19,000	12,000	14,229	-	45,229
Mr. Fabian Maseng	21,900	-	-	-	21,900
Mr. Tshepo Makoko	15,000	-	-	6,000	21,000
	55,900	**12,000**	**14,229**	**6,000**	**88,129**

2016

	Meetings (Attendance)	Cellphone Allowances	Travel Allowance	Total
Mr.Khotso Sekhobo (Chairman)	27,000	12,000	14,105	53,105
Mr. Fabian Maseng	21,000	-	566	21,566
Mr. Tshepo Makoko	21,000	-	600	21,600
	69,000	**12,000**	**15,271**	**96,271**

24. Risk management

Liquidity risk

The agency's risk to liquidity is a result of the funds available to cover future commitments. The agency manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and utilisation of borrowing facilities are monitored regularly.

Interest rate risk

As the agency has no significant interest-bearing assets, the agency's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Financial Statements

Figures in Rand	2017	2016

24. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The agency only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise amounts due from Lekwa Teemane Local Municipality. Thus the risk is deemed minimal.

25. Events after the reporting date

There were no significant events that occured after year end.

26. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	19,746
SARS & Telkom	2,268	-
Auditor General (interest)	3,297	-
	5,565	**19,746**

27. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	66,020	-
Amount paid - current year	-	240,986
	66,020	**240,986**

PAYE and UIF

Current year subscription / fee	133,870	307,294